STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission On Its Own Motion	)	
	)	Docket No. 06-0525
Consideration of the Federal Standard on Interconnection in Section 1254 of the Energy Policy Act of 2005.	)	

COMMENTS OF THE INTERSTATE RENEWABLE ENERGY COUNCIL

I. Introduction

The Interstate Renewable Energy Council ("IREC") respectfully submits these reply comments in response to comments filed in the above-captioned docket on April 25, 2008 by the Ameren Illinois Utilities ("Ameren"), the City of Chicago, Commonwealth Edison Company ("ComEd"), MidAmerican Energy Company ("MidAmerican"), Staff of the Illinois Commerce Commission ("Staff"), and the Environmental Law & Policy Center along with the People of the State of Illinois ("ELPC & AG's Office"). Along with IREC, these parties commented on proposed Rule 83, Ill. Adm. Code 466 (the "Proposed Rule") attached as Appendix B to the Interstate Commerce Commission ("Commission") Order of March 26, 2008.

Staff's comments provide an excellent review of the issues and the rationale for Staff's resolution of those issues. IREC supports Staff's positions on most of the issues, other than those addressed in IREC's comments. While not discussed in these reply comments, IREC continues to support its stated positions regarding: (i) elimination of the unique 50% of minimum load requirement, (ii) allowance of generators over 10 MW to use the Level 4 process, (iii) clarification that application fees are set by the rule, (iv) use of a 50% deposit for study costs, and (v) setting area network interconnection limits at 200 kW or above.

In these reply comments, IREC recommends that:

a) Ameren's position on queuing procedures should be rejected.

b) The Proposed Rule's use of required standard agreements should be maintained.

c) The City of Chicago's isolation device language should be adopted and Staff's position should be incorporated into the Proposed Rule.

d) The first Level 3 screen, regarding percentage of circuit peak load, should be revised while addressing Staff's concerns.

In addition to these recommendations, a brief review of other parties' positions point-by-point is included.

II Principal Recommendations

a. Ameren's position on queuing procedures should be rejected.

Appropriately, the Proposed Rule does not include a harmful provision that had been included in earlier drafts regarding system-wide sequential queuing of Level 4 applications. IREC commented on this deleterious queuing provision previously, noting that it served no purpose but delay.[1] Ameren has called for queuing to be reinstated,[2] and IREC strongly recommends that queuing beyond the circuit level be rejected.

System-wide queuing would significantly dampen the prospects for Level 4 applications, which represent the majority of all otherwise likely distributed generation capacity. The largest distributed generation facilities are a small percentage of all distributed generation facilities, but

[1] IREC comments to Staff, Feb. 15, 2008, p. 4.

[2] Ameren comments, Apr. 25, 2008, section III(A)(1)(page reference unavailable).

they comprise the vast majority of the installed capacity. If the Commission establishes a rule that makes the review time uncertain for these facilities, potential applicants will look elsewhere.

The logic of using a queue for facilities interconnecting to transmission lines does not carry over to facilities interconnecting to distribution lines. For transmission line interconnection, there is a need to evaluate applicants in order because of the effect that one facility might have on the interconnection requirements of later facilities. In the context of Level 4 applicants, this is inappropriate. A 5 MW facility in one location will have no effect on a 4 MW facility that is one hundred miles away, and negligible effect on other circuits from the same substation. The intent of the Level 2 screen regarding generation not exceeding 15% of maximum load is that generation will never exceed load on the distribution circuit, and thus no power will flow to other circuits. In the event that there are multiple applicants on the same distribution circuit, they should be studied together or sequentially, but no such requirement exists beyond the individual distribution circuit. If the proposed facilities are not on the same distribution circuit, there is no need for sequential review.

With sequencing, a dozen proposed Level 4 facilities could be in a utility's queue, creating a backlog of years. As Ameren notes, enormous backlogs exist for review of transmission system interconnections. Each application has generous time allotments for scoping meetings and studies and provisions for further time if the utility has further questions for an applicant. Under such an uncertain timeline, it would be very difficult for Level 4 facilities to be financed. And, the backlog essentially assures that no more than one Level 4 facility will be constructed within any three or four month period.

Avoiding sequential review at the utility system level addresses Ameren's second concern, regarding stale applications delaying review of viable proposals. When a utility

proposes to begin studying a Level 4 applicant's proposed facility, at the applicant's expense, the applicant will be very likely to remove itself from the queue if the applicant does not consider its project to be economically viable.

b. The Proposed Rule's use of required standard agreements should be maintained.

Ameren, ComEd and MidAmerican address the use of standardized interconnection agreements in slightly different ways, but all three take the position that standardized agreements should not be required by rule for Levels 2-4. IREC respectfully disagrees. The non-utility parties to this rulemaking do not have the resources to participate in individual utility tariff filings, but significant obstacles to interconnection could be incorporated into standardized agreements adopted through tariffs.

IREC believes that the present rulemaking is the appropriate venue to establish the content of interconnection agreements. The parties to this rulemaking have differing opinions on a variety of issues raised only in the interconnection agreement, including indemnity and insurance provisions. Failing to resolve these issues in this rulemaking leaves the issues open for debate in future tariff filings.

Separate tariff filings by each utility would entail different agreements from one utility to the next, hindering a cohesive state-wide market for distributed generation. In addition, each utility would be free to change its interconnection agreement by tariff on a regular basis, creating dozens of agreements that dealers and installers of distributed generation equipment would have to track.

c. The City of Chicago's isolation device language should be adopted and Staff's position should be incorporated into the Proposed Rule.

The discussion of the external isolation device has been extensive; IREC and ELPC have repeatedly raised the issue and provided support for the modest position that isolation devices not be required for Level 1 applicants. In the most recent comments, the City of Chicago artfully reviewed the arguments in support of dropping the requirement for Level 1 applicants and suggested language to make this change effective.[3]

It is particularly helpful that the City of Chicago's proposed language clarifies that the utility may disconnect the meter to isolate the generating facility if the Level 1 applicant does not elect to provide a separate isolation device. It would be appropriate to include this provision in the Level 1 agreement as well, to put the customer on notice that the utility has this right.

Staff provides that "nothing in the rule prevents a meter from being used as the isolation device"[4] and IREC suggests that this should be clarified in the rule. If a utility reaches the conclusion that there is no practical use for isolation devices separate from the meter for certain classes of interconnections, it would be unfortunate to have a codified requirement.

Finally, IREC respectfully disagrees with Staff's assessment of the parties' positions on the need for discrete isolation devices for interconnection to primary lines.[5] IREC does not believe that it is necessary to have such isolation devices at all. While the usefulness of isolation devices is especially suspect for secondary line interconnections, the main reason for not requiring isolation devices is that they are rarely utilized, as discussed in the April 25, 2008

[3] City of Chicago comments, April 25, 2008, pp. 2-5.

[4] Staff comments, April 25, 2008, p. 15.

[5] Id.

comments of IREC and ELPC & AG's Office. An unused device is unnecessary on a primary line to the same extent that it is unnecessary on a primary line.

d. The first Level 3 screen, regarding percentage of circuit peak load, should be revised while addressing Staff's concerns.

For the reasons stated in comments by IREC and ELPC & AG's Office, the first Level 3 screen should be raised to 50% of circuit peak load. To clarify, IREC intended by its comments to reference Section 466.110(a)(6), regarding interconnection to distribution circuits. Section 466. 110(a)(6) calls for use of the Level 2 screens, and the first Level 2 screen is based on 15% of peak load.[6] Absent the ability to export power to the distribution circuit, a generating facility should be allowed to interconnect despite having a percentage of circuit peak load in excess of 15%.

The Proposed Rule as currently drafted makes Level 3's provisions for interconnection to a radial distribution circuit superfluous. Fifteen percent of circuit peak load is rarely in excess of 2 MW, so any facility that would qualify for Level 3 interconnection could qualify for Level 2 interconnection. Under Level 2, the applicant would not require reverse power relays, so there would be no incentive to utilize Level 3. The purpose of Level 3 is to make interconnection of non-exporting generating facilities easier, and that has not been accomplished.

Staff raised the concern in its comments that operational problems could result from a sudden requirement to absorb a customer's load if the generating facility were to shut down very

[6] Section 466.100(a)(Level 2 screens) of the Proposed Rules also screens generating facilities based minimum circuit load, which IREC opposes for the reasons stated in its comments of April 25, 2008.

rapidly.[7] In practice, multi-megawatt loads do come on with fairly rapid ramp-up already and the issue is how fast the ramp-up happens. IREC suggests that a compromise position would be to establish a separate rule for Level 3 regarding how quickly customers with large generating facilities can ramp-up their demand.[8] This ramp-up time may be less than a second, but IREC has not investigated the engineering requirements. IREC is only suggesting here that a discussion of this concept could be beneficial. With this issue resolved, IREC suggests that the percentage of circuit peak load screen would be unnecessary.

III. Point-by-Point Response to Other Parties Comments

Ameren

a. IREC disagrees that Emergency Rule I (the draft before the adopted Emergency Rule) should be the starting point for modifications. The initial comments filed on April 25, 2008 and the reply comments are based on the Proposed Rule and it would be an unnecessary to confusion to change the starting point now. As Ameren has done, the solution is for Ameren to propose that provisions from Emergency Rule I be incorporated into the Proposed Rule.

b. IREC supports the Proposed Rule and disagrees with Ameren's proposal to reinstate utility system-wide sequential queuing of Level 4 applications for the reasons stated in Section II(a) of these reply comments.

c. IREC agrees with Ameren that applicant response timelines should be clarified if necessary to clear "dead" or untimely applications. However, Ameren's comments extend by five business days the time for a utility to prepare study agreements pursuant to Section

[7] Staff comments, April 25, 2008, p. 20.

[8] Applicants have no incentive to apply under Level 3 instead of Level 2 for generating facilities under 2 MW.

466.120(d)(3) – (d)(5). The original ten business day window for a utility to prepare a study agreement is very reasonable as the preparation for those agreements is inherent in the processes proceeding each ten business day window. Before the feasibility study agreement period commences, the utility has performed its initial review for the scoping meeting. In turn, the feasibility study informs the impact study and both inform the facilities study, so their ten business day windows for agreement preparation are reasonable. On the other hand, the utility will be presenting the applicant with a bill pre-payable in full for a study. A 15 business day window for the applicant to arrange to pay a substantial bill is fairly short; IREC suggests that a 20 business day window would be more practical without concern of "dead" applications clogging the pipeline.[9]

d. IREC does not have a position on the legality of establishing interconnection rules beyond the scope of the net metering law. It would seem that the Commission is appropriately responding to the requirement that it consider adopting interconnection standards in conformance with the Energy Policy Act of 2005. And typically, a state utility commission is well within its bounds to establish interconnection procedures. It is not clear to IREC what Ameren is referencing when it says that there are "costly benefits and windfalls" inherent in the Proposed Rules. The net metering provisions of the net metering law are not being granted to non-net metering customers.

e. IREC supports Ameren's proposal to track costs for later rate base recovery, provided that the Commission has its usual authority to review the prudence of the expenditure.

[9] Assuming that the Proposed Rule retains its use of queuing by circuit only, clogged pipelines are not a substantial issue.

f. IREC opposes Ameren's proposal to not codify agreements for the reasons stated in Section II(b) of these reply comments.

g. IREC supports the current version of the indemnification and insurance requirements for the reasons stated in Staff's comments.

h. IREC opposes Ameren's position on a visible disconnect switch and favors the position discussed in Section II(c) of these reply comments.

i. IREC agrees with Ameren that customers with generating facilities should be obligated to follow the same reactive power requirements as customers who do not. If the stated limitations are Ameren's required power factor lead and lag times for all customers, those limitations are acceptable.

ComEd

a. IREC supports the development of comprehensive interconnection procedures as described in Section II(b) here.

b. IREC supports the use of bilateral indemnification as a matter of fairness, which has driven that approach in other states. Reviewing the indemnification language in Proposed Rule Appendix C, Section 6.3.3, it is unclear to IREC how ComEd will assume significant additional risk or cost by holding the interconnection customer harmless for "damages and expenses resulting from a third party claim arising out of or based upon the EDC's (a) negligence or willful misconduct or (b) breach of this agreement". To further the dialogue, perhaps ComEd can present a scenario in which its negligence or breach would otherwise result in liability for ComEd.

c. IREC opposes ComEd's suggestion that utilities should be able to impose stricter power factor requirements on interconnection customers. To the extent that a generating facility

worsens a customer's power factor, perhaps the cost of reactive power to make up that difference could be owed to the utility. However, it would then be appropriate for the utility to reward customers for improved power factor from generating facilities, which is a possibility with inverter-based generating facilities.

d. IREC opposes the six week notice of commission testing requirement proposed by ComEd. ComEd has some notice of the upcoming commissioning test when it receives an application, and fairly certain notice when it decides to approve the interconnection agreement. Any one test may be difficult to schedule with certainty, but a utility will be aware that X number of Level 1 applications were received in April and will probably be approved in May, probably resulting in commissioning tests in June and July.

e. IREC is not opposed to ComEd's proposed use of "line section" in appropriate places, as IREC discussed in earlier comments, though IREC does not believe that there would be any harm in using "distribution circuit." For the reasons discussed in IREC's comments of April 25, 2008, IREC is opposed to the use of the 50% minimum load screen included in ComEd's language, and notes that ComEd's proposed language leaves one instance of "circuit" that should have been changed to "line section."

f. IREC agrees with the remaining three minor modifications suggested by ComEd.

MidAmerican

a. IREC disagrees with MidAmerican with regard to "safe harbor" provisions that would allow use of an alternative rules for the reasons stated in Section II(b) here.

b. Likewise, IREC disagrees with MidAmerican regarding the use of alternative agreements for the reasons stated in Section II(b) here.

c. IREC concurs with MidAmerican's logic regarding removal of generating facilities from queues when the underlying interconnection agreements have been terminated.

d. IREC supports the current indemnification and insurance provisions in the Proposed Rule for the reasons enunciated by Staff in its comments.

Staff

Having developed the Proposed rule, Staff prepared comments that did not contain new, substantive positions that IREC did not already address in IREC's comments.

City of Chicago

a. IREC agrees with the City of Chicago's argument, conclusions and suggested language regarding separate isolation devices, as discussed in Section II(c) here.

b. IREC agres with the City of Chicago that monitoring and control equipment is unnecessary for Level 3 generating facilities, which are incapable of feeding power onto the distribution grid. As well, IREC agrees that the last sentence of Section 466.60(k) should be deleted.

c. IREC does not have an opinion on the City of Chicago's proposal to rate the level of review based on the customer's service drop. This adds complexity, but allows for larger systems to qualify under Level 1 that appropriately do not require more involved review.

d. IREC agrees with the City of Chicago that a higher limit for area network interconnection should be allowed, as described in IREC's comments of April 25, 2008.

e. IREC agrees with the City of Chicago that the 50% minimum load screen for Level 2 is a needless confusion in most instances, as described in IREC's comments of April 25, 2008.

ELPC & AG's Office

IREC concurs in the positions of ELPC & AG's Office, nearly all of which have also been addressed by IREC.

IV. CONCLUSION

IREC requests that Commission adopt the recommendations in these comments.

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